10507

TREATIES AND OTHER INTERNATIONAL ACTS SERIES 10507

ECONOMIC ASSISTANCE

Production Credit

Agreement Between the
UNITED STATES OF AMERICA
and EGYPT

Signed at Cairo September 25, 1982

NEWARK PUBLIC LIBRARY

JUN 1 1 1985

U. S. GOVT. PUBS.
DEPOSITORY 378

READEX
FICHE

best copy available

S 9.10:

NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89-497, approved July 8, 1966 (80 Stat. 271; 1 U.S.C. 113)—

". . . the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof."

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

EGYPT

Economic Assistance: Production Credit

Agreement signed at Cairo September 25, 1982;
Entered into force September 25, 1982.

A.I.D. Project No. 263-0147

PROJECT
GRANT AGREEMENT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND THE
UNITED STATES OF AMERICA
FOR
PRODUCTION CREDIT

Dated: September 25, 1982

TIAS 10507

Table of Contents

Project Grant Agreement

	Page	(Pages herein)
Article 1: The Agreement	1	5
Article 2: The Project	1	5
SECTION 2.1. Definition of Project	1	5
Article 3: Financing	2	6
SECTION 3.1. The Grant	2	6
SECTION 3.2. Project Assistance Completion Date	2	6
Article 4: Conditions Precedent to Disbursement	3	7
SECTION 4.1. General	3	7
SECTION 4.2. Disbursement for Short-Term Credit	4	8
SECTION 4.3. Disbursement for Training, Technical Cooperation and Studies	4	8
SECTION 4.4. Notification	4	8
SECTION 4.5. Terminal Dates for Conditions Precedent	4	8
Article 5: Special Covenants	5	9
SECTION 5.1. Periodic Discussions	5	9
SECTION 5.2. Special Account	5	9
SECTION 5.3. Covenant Applicable to the Training, Technical Cooperation and Studies Activity	6	10
SECTION 5.4. Project Evaluation	6	10
Article 6: Procurement Source, Eligibility, and Utilization of Commodities under the Short-Term Credit Activity	7	11
SECTION 6.1. AID Regulation 1	7	11
SECTION 6.2. Shipping	7	11
Article 7: Source and Origin	7	11
SECTION 7.1. Foreign Exchange Costs	7	11
SECTION 7.2. Local Currency Costs	8	12

Article 8: Disbursement		8	12
SECTION 8.1.	Disbursement for Foreign Exchange Costs	8	12
SECTION 8.2.	Disbursement for Local Currency Costs	9	13
SECTION 8.3.	Other Forms of Disbursement	10	14
SECTION 8.4.	Rate of Exchange	10	14
SECTION 8.5.	Date of Disbursement	10	14
Article 9: Miscellaneous		10	14
SECTION 9.1.	Communications	10	14
SECTION 9.2.	Representatives	11	15
SECTION 9.3.	Standard Provisions Annex[1]	12	16

Annex 1

PROJECT DESCRIPTION

[1] Not printed herein. For text, see TIAS 8830; 29 UST 501.

A.I.D. Project No. 263-0147

Project Grant Agreement

Dated September 25, 1982

Between

The Arab Republic of Egypt ("Grantee")

And

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties"), with respect to the undertaking by the Grantee of the Project described below and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will assist the Grantee to expand the flow of credit to private productive sector enterprises in Egypt, through public and private sector banks as determined by the Grantee.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2., without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, the United States Government acting through A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended,[1] agrees to grant the Grantee under the terms of this Agreement an amount not to exceed Sixty-eight Million United States ("U.S.") Dollars ($68,000,000) ("Grant").

The Grant may be used to finance Foreign Exchange Costs, as defined in Section 7.1, and Local Currency Costs, as defined in Section 7.2, of goods and services required for the Project, except that, unless the parties otherwise agree in writing, Local Currency Costs financed under the Grant will not exceed the equivalent of Five Hundred Thousand U.S. Dollars ($500,000).

SECTION 3.2. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is March 31, 1985, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as the Parties may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD

[1] 75 Stat. 424; 22 U.S.C. § 2151.

or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as the Parties may agree to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement.

SECTION 4.1. General. Prior to any disbursment or to the issuance of any commitment documents under this Agreement, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D., in satisfactory form and substance:

(a) A statement of the names of the persons authorized pursuant to Section 9.2 to act as the representatives of the Grantee, together with a specimen signature of each person specified in such statement; and

(b) Evidence of formal establishment by the Ministry of Investment Affairs and International Cooperation of a permanent private sector policy steering committee.

SECTION 4.2. Disbursement for Short-Term Credit. Prior to any disbursement, or the issuance of any commitment documents under this Agreement for the Short-Term Credit Activity, the Grantee shall issue an official document, to be made available to all potentially eligible banks and borrowers, which describes the agreed terms and conditions governing the use of Project funds for Short-Term Credit.

SECTION 4.3. Disbursement for Training, Technical Cooperation and Studies. Prior to any disbursement, or the issuance of any commitment documents under this Agreement for the Training, Technical Cooperation and Studies Activity, the Grantee shall, except as the Parties may otherwise agree in writing, establish an implementation plan in necessary and sufficient detail to effect the program.

SECTION 4.4. Notification. When the conditions precedent specified above have been met, A.I.D. will promptly notify the Grantee.

SECTION 4.5. Terminal Dates for Conditions Precedent. If all of the conditions specified in Section 4.1 have not been met within 90 days from the date of this Agreement, or such later date as the Parties may agree to in writing, A.I.D. may terminate this Agreement by written notice to Grantee.

If all of the conditions specified in Sections 4.2 and 4.3 have not been met within 180 days from the date of this Agreement, or such

later date as the Parties may otherwise agree to in writing, A.I.D. may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants.

SECTION 5.1. Periodic Discussions. The Grantee, through the Private Sector Steering Committee, shall undertake periodic discussions with A.I.D., on ways to develop increased policy and programmatic support to the private sector.

SECTION 5.2. Special Account.

(a) Grantee will deposit in the existing Special Account established under the Commodity Import Program currency of the Government of the Arab Republic of Egypt in amounts equal to proceeds accruing to the Grantee or any authorized agency thereof as a result of the sale or importation of the Commodities financed under the Short-Term Credit Activity. Funds in the Special Account may be used for such purposes as are mutually agreed upon by A.I.D. and the Grantee and as otherwise specified in this Agreement, provided that such portion of the funds in the Special Account as may be designated by agreement of both Parties shall be made available to A.I.D. to meet its requirements.

(b) Deposits to the Special Account shall become due and payable quarterly upon advice from A.I.D. as to disbursements made under the Agreement. Grantee shall make such deposits at the highest rate of

exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

(c) Any unencumbered balances of funds which remain in the Special Account upon termination of assistance shall be disbursed for such purposes as may, subject to applicable law, be agreed upon by the Parties.

SECTION 5.3. Covenant Applicable to the Training, Technical Cooperation and Studies Activity. The Grantee shall emphasize proposals which are supportive of private sector development and which improve the skill level of private banking and other institutions.

SECTION 5.4. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6: Procurement, Eligibility, and Utilization of Commodities Under the Short-Term Credit Activity.

SECTION 6.1. A.I.D. Regulation 1. The procurement, eligibility and utilization of commodities and commodity-related services financed under the Short-Term Credit Activity are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, except as the Parties may otherwise specify in writing. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern, unless the Parties otherwise agree in writing.

SECTION 6.2. Shipping. For the purpose of meeting shipping requirements in Section C.6 of the Project Grant Standard Provisions Annex (Annex 2), the percentage of goods and commodities shipped on foreign flag vessels will be computed in conjunction with A.I.D. Loan Agreement No. 263-K-052 [1] and compliance determined accordingly. This Grant Agreement and Loan Agreement No. 263-K-052 are tied for cargo perference compliance purposes only.

Article 7: Source and Origin.

SECTION 7.1. Foreign Exchange Costs. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of commodities, goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for

[1] TIAS 9582; 30 UST 7247.

such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 7.2. Local Currency Costs. Disbursements pursuant to Section 8.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as the Parties may otherwise agree in writing, their origin in Egypt ("Local Currency Costs").

Article 8: Disbursement

SECTION 8.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting documentation required by A.I.D. Regulation 1; or

(2) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on Grantee's behalf for the Project; or,

(3) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 8.2 Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 8.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 8.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Egypt by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Parties will make such arrangements as may be necessary so that funds may be converted into currency of the Arab Republic of Egypt at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Arab Republic of Egypt.

SECTION 8.5. Date of Disbursement. Disbursement by A.I.D. shall be deemed to occur on the date of which A.I.D. makes a disbursement to the Grantee, or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment or other form of disbursement authorization.

Article 9: Miscellaneous

SECTION 9.1. Communications. Any notice, requests, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed

duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Ministry of Investment Affairs and
International Cooperation
Department of Economic Cooperation
with U.S.A.
8 Adly Street
Cairo, Egypt

To A.I.D.:

A.I.D.
U.S. Embassy
Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 9.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual, holding or acting in the office of the Minister of Investment Affairs and International Cooperation or the Administrator for the Department for Economic Cooperation with U.S.A., and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be

provided to A.I.D., which may accept as duly authorized any instrumen
signed by such representatives in implementation of this Agreement, unti
receipt of written notice of revocation of their authority.

SECTION 9.3. Standard Provisions Annex. A "Project Gran
Standard Provisions Annex" (Annex 2) is attached to and forms part o
this Agreement. [1]

IN WITNESS WHEREOF, the Grantee and the United States of America,
each acting through its duly authorized representative, have caused this
Agreement to be signed in their names and delivered as of the day and
year first above written.

ARAB REPUBLIC OF EGYPT

BY :

NAME : Prof. Dr. Wagih Shindy

TITLE: Minister for Investment Affairs and International Cooperation

UNITED STATES OF AMERICA

BY :

NAME : Alfred L. Atherton, Jr.

TITLE: American Ambassador

BY :

NAME : Fouad Iskandar

TITLE: Administrator for the Department for Economic Cooperation with U.S.A.

BY :

NAME : M. P. W. Stone

TITLE: Director, USAID/Cairo

[1] See footnote 1, p. 4.

ANNEX 1

PROJECT DESCRIPTION

The Project will expand the flow of credit to Egypt's private sector by providing funds for on-lending through a broad range of Egyptian public and private banks. The project is designed to establish a framework for provision of a broad range of U.S. financial support to the Egyptian private sector starting in Fiscal Year 1982 and continuing through subsequent fiscal years. In addition to credit assistance, the project incorporates features designed to involve the Government of Egypt in private sector programming.

Public and private banks will be the implementing entities. Project funds will be made available to such institutions, through official Government of Egypt circulars defining the terms and conditions of the program in detail. Different Egyptian financial institutions will be encouraged to participate in channeling funds to the private sector. Such terms and conditions will be jointly reviewed and developed by the Government of Egypt and AID to reflect changing conditions.

A Private Sector Steering Committee (Committee) will play a major role. The Committee will engage in regular discussions with USAID on credit and conditions for Egypt's private sector and undertake broad implementation responsibilities. The Committee will undertake both advisory and executive functions. In addition, representatives of AID may be asked to participate with the Committee as it considers the implementation of the Project. The Committee will serve as the central coordination point for all components and, in effect, will represent the Government of Egypt in project-related matters.

The project includes two components for Fiscal Year 1982 obligation:

(1) Short-Term Credit Activity for imports; and

(2) Technical Cooperation, Training, and Studies

1. Short-Term Credit Activity: Short-Term Credit funds will be made available to participating banks on a transaction-by-transaction basis. Terms and conditions for credit use will be set forth in an official Government of Egypt circular to be made available to all participating banks for distribution to all potential eligible importers.

2. Training, Technical Cooperation, and Studies Activity: Technical cooperation and training will be made available to meet specific needs identified by the Committee. Activities will be designed to improve a variety of banking skills, including staff project appraisal capability and institutional capacity to review, approve and monitor transactions or sub-loans which may be financed under this program. In addition, funds will be made available for studies related to credit and the development of new financial instruments for the Egyptian banking system.

Attachment 1

FINANCIAL PLAN
(US $ 000)

Sub-Component		AID (FX + LC)	TOTAL (FX + LC)
I.	Short-Term Credit	$67,000	$67,000
II.	Technical Cooperation, Training and Studies	$1,000	$1,000
	Project Totals	$68,000	$68,000

FX - Foreign Exchange
LC - Local Currency

GPO: 1985 48-774 (12800)